

Message Text

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ACTION AF-07

INFO OCT-01 ISO-00 AID-05 EB-07 IGA-01 L-02 SP-02 CIAE-00

INR-05 NSAE-00 RSC-01 DODE-00 OMB-01 TRSE-00 OES-03

NASA-01 SS-15 NSC-05 DOTE-00 /056 W

----- 118299

P R 261400Z NOV 74

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC PRIORITY 6740

INFO AMEMBASSY NAIROBI

C O N F I D E N T I A L TANANARIVE 1848

E.O. 11652: GDS

TAGS: EAID, US, MA, PFOR

SUBJECT: MALAGASY RR LOAN AMENDMENT AND US-GOMR RELATIONS

NAIROBI FOR REDSO/EA; DEPT FOR AF/E (FOR AMBASSADOR MENDEN-
HALL)

REF: NAIROBI 9780

1. REFTEL QUESTIONS PRUDENCE AND LEGALITY OF PROCEEDING
WITH RR LOAN AMENDMENT. EMBASSY BELIEVES IT WOULD BE
GROSSLY IMPRUDENT TO WITHDRAW AUTHORITY TO SIGN LOAN NOW
BECAUSE, AS ALL CONCERNED KNOW, RR LOAN AMENDMENT HAS
BEEN TIED TO DIFFICULT DRAWN-OUT NASA STATION NEGOTIATIONS.
THOSE EFFORTS ARE NOW NEARING FRUITION HAVING STEERED PAST
NUMEROUS ROCKY POLITICAL SHOALS HERE BUT WILL SURELY
FLOUNDER IF WE POSTPONE OR EVEN APPEAR TO WITHDRAW
APPROVAL FOR LOAN. THE VALIDITY OF U.S. TECHNICAL
ARGUMENTS WILL MAKE NO IMPRESSION ON GOMR OFFICIALS WHO
WILL SEE ELEVENTH HOUR BACKDOWN ON LOAN AS OUR RENEGING
ON WHAT HAD BEEN FIRM AGREEMENT. GOMR REACTION WOULD
APPROACH APOPLEXY PARTICULARLY FOLLOWING RECENT U.S.
100 PERCENT TURNDOWN ON THEIR PL-480 REQUEST.

2. REDISCOVERY OF ACT THAT MALAGASY RR PROJECT WAS ORIGINALLY
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POORLY ENGINEERED SHOULD SURPRISE NO ONE. THAT THERE

HAS BEEN FURTHER DETERIORATION SHOULD BE DEALT WITH, BUT POSITIVELY. A.I.D. MUST ACCEPT SOME BLAME FOR SLOW-QUALITY OF ENGINEERING THAT CONTRIBUTED TO DETERIORATION SINCE AS AUDITOR KANE HAS NOTED, IT FAILED TO PROVIDE ADEQUATE ENGINEERING SUPERVISION ON ORIGINAL PROJECT IN 1969-72. RR AS BAD AS IT MAY BE, IS LIFELINE FROM COAST TO TANANARIVE. WHILE AT SOME FUTURE TIME AN ALTERNATIVE TO RR OR OVERALL UPGRADING MIGHT BE CONSIDERED BY GOMR; FOR PRESENT, RR IS A NECESSITY. IT WAS IN RECOGNITION OF THIS FACT THAT RR LOAN WAS ORIGINALLY UNDERTAKEN AND FOLLOW-UP LOAN APPROVED.

3. EMBASSY IS NOT APPEALING THAT LOAN BE SAVED TO SERVE NEEDS OF GOMR, BUT TO PROTECT KEY U.S. INTEREST IN MADAGASCAR -- THE NASA TRACKING STATION. MOREOVER, IF GOMR WILL NOT CONSIDER NEWLY POSED TECHNICAL AND LEGAL QUESTIONS RELEVANT AT THIS LATE DATE, EMBASSY DOES APPRECIATE THEM. YET EMBASSY BELIEVES IT IMPERATIVE THAT LOAN PROCEED AND PROBLEMS POSED REFTEL BE APPROACHED POSITIVELY AND SOLUTIONS FOUND. IT WAS IN THIS VEIN THAT EMBOFF NOVEMBER 25 CALLED ON DIRECTOR OF MALAGASY RAILWAY AUTHORITY (MRA) TO INFORMALLY SOLICIT HIS VIEWS AS TO WHETHER MRA WILL BE ABLE TO COMPLETE RAILWAY PROJECT WITH SECOND LOAN AMENDMENT, PLUS GOMR/MRA CONTRIBUTION. DIRECTOR SAID ORIGINAL COST ESTIMATES FOR PROJECT WERE DRAWN UP SOME 18 MONTHS AGO, AND SINCE THEN COSTS HAD UNDOUBTEDLY INCREASED WITH INFLATION. HOWEVER HE SAID MRA HAS NOT RPT NOT PREPARED ANY FORMAL ESTIMATE OF COST INCREASES. HE ESTIMATED THAT LOCAL COSTS HAVE RISEN ABOUT 10 PERCENT, BUT HAD NO IDEA WHAT ESCALATED COSTS OF IMPORTED COMPONENT OF THE PROJECT MIGHT BE. IN CONCLUSION, DIRECTOR OFFERED TO HAVE HIS TECHNICIANS MAKE SPECIAL STUDY FOR EMBASSY OF PROBABLE COST ESCALATION ON RAILWAY PROJECT, TOGETHER WITH ESTIMATE AS TO WHETHER GOMR/MRA CAN SUPPORT INCREASED COSTS REQUIRED TO COMPLETE PROJECT FROM THEIR OWN RESOURCES. EMBASSY WILL ADVISE ON OUTCOME OF STUDY. ELFERS

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